FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Formosa Taffeta Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as followers:

Valuation of allowance for uncollectible accounts

<u>Description</u>

Refer to Note 4(10) for accounting policy on impairment of financial assets, Note 5(3) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2018, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT$4,110,277 thousand and NT$71,033 thousand, respectively.

The Group assesses the collectability of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Group recognizes impairment with a credit to accounts receivable. The Group examines the reasonableness periodically. As the estimation of allowance for uncollectible accounts is subject to management's judgement, and given the significance of accounts receivable and allowance for uncollectible accounts to the financial statements, we consider the valuation of allowance for uncollectible accounts a key audit matter.

<u>How our audit addressed the matter</u>

Our procedures in relation to management's assessment of the allowance for uncollectible accounts includes:

A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward-looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;
B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently

applied in the comparative periods of financial statements and testing the related assessment to confirm the accuracy of ageing analysis of accounts receivable; and

C. Testing collections after balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventory

Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5(4) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation loss. As of December 31, 2018, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$9,394,237 thousand and NT$684,200 thousand, respectively.

The Group is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtains. As the textile manufacturing market is competitive, there is higher risk of incurring loss on inventory valuation. The Group recognizes inventories at the lower of cost and net realizable value, and the net realizable value is calculated based on the average price less estimated selling expenses. Since the calculation of net realizable value involves subjective judgement and uncertainty and the inventory is material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for inventory valuation loss includes:

A. Assessing the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realizable value;

B. Understanding the inventory management procedures, examining and participating in annual physical count and assessing the effectiveness of inventory management and inventory classification determined by management; and

C. Checking the method in calculating the net realizable value of inventory and assessing the reasonableness of allowance for valuation loss.

Other matter – Audits of other independent accountants

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for using equity method) of NT$11,856,625 thousand and NT$10,614,122 thousand, constituting 13% and 11% of consolidated total assets as of December 31, 2018 and 2017, respectively, and operating income of NT$6,050,124 thousand and NT$5,125,079 thousand, constituting 14% and 13% of consolidated total operating income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the accounts included in the financial statements relative to these subsidiary and investees, is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Taffeta Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wu, Han-Chi Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,391,896	4	$ 4,942,919	5
1110	Financial assets at fair value through profit or loss - current	6(2)	479,490	1	630,396	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	3,674,217	4	-	-
1125	Available-for-sale financial assets - current		-	-	3,649,141	4
1140	Current contract assets	6(19)	788,643	1	-	-
1150	Notes receivable, net	6(4)	116,511	-	164,311	-
1160	Notes receivable - related parties	7	4,429	-	13,007	-
1170	Accounts receivable, net	6(4)	4,110,277	4	3,567,731	4
1180	Accounts receivable - related parties	7	1,228,428	1	1,168,315	1
1200	Other receivables	7	326,802	-	449,044	-
130X	Inventory	6(5) and 8	8,710,037	9	8,452,053	9
1410	Prepayments		457,003	1	519,506	1
1470	Other current assets		483,826	1	425,720	-
11XX	**Total current assets**		23,771,559	26	23,982,143	25
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	46,512,701	50	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	43,994,286	47
1543	Financial assets carried at cost - non-current	7 and 12(4)	-	-	5,786,870	6
1550	Investments accounted for under equity method	6(6)	3,216,506	3	3,123,456	3
1600	Property, plant and equipment	6(7) and 8	18,770,958	20	17,022,278	18
1840	Deferred income tax assets	6(25)	93,797	-	140,445	-
1900	Other non-current assets	6(8)	660,972	1	653,557	1
15XX	**Total non-current assets**		69,254,934	74	70,720,892	75
1XXX	**Total assets**		$ 93,026,493	100	$ 94,703,035	100

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9) and 8	$ 3,638,538	4	$ 2,805,690	3
2110	Short-term notes and bills payable	6(10)	-	-	1,299,806	2
2120	Financial liabilities at fair value through profit or loss - current	6(11)	774	-	-	-
2150	Notes payable		251,576	-	199,518	-
2160	Notes payable - related parties	7	335,830	-	239,553	-
2170	Accounts payable		1,312,601	2	1,446,070	2
2180	Accounts payable - related parties	7	996,011	1	1,147,976	1
2200	Other payables	6(12) and 7	1,949,497	2	1,811,607	2
2230	Current income tax liabilities	6(25)	391,662	1	198,319	-
2300	Other current liabilities	6(13)	314,741	-	265,356	-
21XX	**Total current liabilities**		9,191,230	10	9,413,895	10
	Non-current liabilities					
2540	Long-term borrowings	6(13)	8,022,299	9	11,083,572	12
2570	Deferred income tax liabilities	6(25)	292,165	-	170,798	-
2600	Other non-current liabilities	6(14)	552,109	-	852,200	1
25XX	**Total non-current liabilities**		8,866,573	9	12,106,570	13
2XXX	**Total liabilities**		18,057,803	19	21,520,465	23
	Equity attributable to owners of parent					
	Share capital	6(15)				
3110	Share capital - common stock		16,846,646	18	16,846,646	18
	Capital surplus	6(16)				
3200	Capital surplus		1,268,860	1	274,323	-
	Retained earnings	6(17)				
3310	Legal reserve		7,567,594	8	7,139,607	7
3320	Special reserve		2,214,578	2	2,214,578	2
3350	Unappropriated retained earnings		9,743,048	11	5,398,225	6
	Other equity interest	6(18)				
3400	Other equity interest		31,291,978	34	37,525,951	40
3500	**Treasury stocks**	6(15)	(19,500)	-	(19,935)	-
31XX	**Equity attributable to owners of the parent**		68,913,204	74	69,379,395	73
36XX	**Non-controlling interest**	6(18)	6,055,486	7	3,803,175	4
3XXX	**Total equity**		74,968,690	81	73,182,570	77
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 93,026,493	100	$ 94,703,035	100

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Years ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(19) and 7	$ 44,545,053	100	$ 40,705,664	100
5000	**Operating costs**	6(5)(22)(23) and 7	(39,264,007)	(88)	(35,566,893)	(87)
5900	**Net operating margin**		5,281,046	12	5,138,771	13
	Operating expenses	6(22)(23) and 7				
6100	Selling expenses		(1,774,767)	(4)	(1,727,181)	(5)
6200	General and administrative expenses		(966,574)	(2)	(890,287)	(2)
6300	Research and development expenses		(80,976)	(1)	(59,813)	-
6000	**Total operating expenses**		(2,822,317)	(7)	(2,677,281)	(7)
6900	**Operating profit**		2,458,729	5	2,461,490	6
	Non-operating income and expenses					
7010	Other income	6(20) and 7	2,908,802	6	2,697,364	7
7020	Other gains and losses	6(21)	885,932	2	108,885	-
7050	Finance costs	6(24)	(211,415)	-	(185,189)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	238,313	1	193,934	-
7000	**Total non-operating income and expenses**		3,821,632	9	2,814,994	7
7900	**Profit before income tax**		6,280,361	14	5,276,484	13
7950	Income tax expense	6(25)	(959,661)	(2)	(516,468)	(1)
8200	**Profit for the year**		$ 5,320,700	12	$ 4,760,016	12

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
	Other comprehensive income	6(18)				
	Components of other comprehensive income that will not be reclassified to profit or loss	6(3)				
8311	Actuarial gains (losses) on defined benefit plans		$ 150,329	1	($ 332,655)	(1)
8316	Unrealized gain on valuation of financial assets at fair value through other comprehensive income		(3,472,754)	(8)	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss		1,071	-	-	-
8310	**Other comprehensive income that will not be reclassified to profit or loss**		(3,321,354)	(7)	(332,655)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		154,788	-	(755,543)	(2)
8362	Unrealized gain on valuation of available-for-sale financial assets		-	-	2,232,546	5
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method that will be reclassified to profit or loss		14,914	-	(172,904)	-
8360	**Other comprehensive income that will be reclassified to profit or loss**		169,702	-	1,304,099	3
8300	**Total other comprehensive (loss) income for the year**		($ 3,151,652)	(7)	$ 971,444	2
8500	**Total comprehensive income for the year**		$ 2,169,048	5	$ 5,731,460	14
	Profit attributable to:					
8610	Owners of the parent		$ 4,737,406	11	$ 4,279,871	11
8620	Non-controlling interest		583,294	1	480,145	1
			$ 5,320,700	12	$ 4,760,016	12
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 1,730,196	4	$ 5,148,811	13
8720	Non-controlling interest		438,852	1	582,649	1
			$ 2,169,048	5	$ 5,731,460	14

		Notes	2018 Before Tax	2018 After Tax	2017 Before Tax	2017 After Tax
	Basic and diluted earnings per share (in dollars)	6(26)				
9710	Profit for the year from continuing operations		$ 3.73	$ 3.17	$ 3.13	$ 2.83
	Non-controlling interest		(0.61)	(0.35)	(0.47	(0.29)
9750	Profit attributable to common shareholders of the parent		$ 3.12	$ 2.82	$ 2.66	$ 2.54
	Assuming shares held by subsidiaries are not deemed as treasury stock:					
	Profit for the year from continuing operations		$ 3.73	$ 3.16	$ 3.13	$ 2.83
	Non-controlling interest		(0.61)	(0.35)	(0.47)	(0.29)
	Profit attributable to common shareholders of the parent		$ 3.12	$ 2.81	$ 2.66	$ 2.54

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent											
				Retained Earnings			Other Equity Interest						
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31,2017													
Balance at January 1, 2017		$ 16,846,646	$ 266,458	$ 6,791,478	$ 1,708,542	$ 4,830,100	$ 13,387	$ -	$ 36,313,040	($ 21,501)	$ 66,748,150	$ 3,531,750	$ 70,279,900
Profit for the year		-	-	-	-	4,279,871	-	-	-	-	4,279,871	480,145	4,760,016
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	(330,584)	(927,654)	-	2,127,178	-	868,940	102,504	971,444
Total comprehensive income (loss)		-	-	-	-	3,949,287	(927,654)	-	2,127,178	-	5,148,811	582,649	5,731,460
Appropriations of 2016 earnings	6(17)												
Legal reserve		-	-	348,129	-	(348,129)	-	-	-	-	-	-	-
Special reserve		-	-	-	506,036	(506,036)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,526,997)	-	-	-	-	(2,526,997)	-	(2,526,997)
Disposal of treasury stock	6(15)(16)	-	2,891	-	-	-	-	-	-	1,566	4,457	-	4,457
Changes in the net interest of associates recognized under the equity method	6(16)	-	33	-	-	-	-	-	-	-	33	18	51
Adjustment of cash dividends paid to consolidated subsidiaries	6(16)	-	3,439	-	-	-	-	-	-	-	3,439	-	3,439
Expired cash dividends transferred to capital surplus	6(16)	-	1,502	-	-	-	-	-	-	-	1,502	-	1,502
Cash dividends paid by consolidated subsidiaries	6(18)	-	-	-	-	-	-	-	-	-	-	(311,242)	(311,242)
Balance at December 31, 2017		$ 16,846,646	$ 274,323	$ 7,139,607	$ 2,214,578	$ 5,398,225	($ 914,267)	$ -	$ 38,440,218	($ 19,935)	$ 69,379,395	$ 3,803,175	$ 73,182,570
Year ended December 31, 2018													
Balance at January 1, 2018		$ 16,846,646	$ 274,323	$ 7,139,607	$ 2,214,578	$ 5,398,225	($ 914,267)	$ -	$ 38,440,218	($ 19,935)	$ 69,379,395	$ 3,803,175	$ 73,182,570
Retrospective adjustments		-	-	-	-	4,890,917	-	33,680,146	(38,440,218)	-	130,845	33,939	164,784
Balance at January 1 after adjustments		16,846,646	274,323	7,139,607	2,214,578	10,289,142	(914,267)	33,680,146	-	(19,935)	69,510,240	3,837,114	73,347,354
Profit for the year		-	-	-	-	4,737,406	-	-	-	-	4,737,406	583,294	5,320,700
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	153,145	169,421	(3,329,776)	-	-	(3,007,210)	(144,442)	(3,151,652)
Total comprehensive income		-	-	-	-	4,890,551	169,421	(3,329,776)	-	-	1,730,196	438,852	2,169,048
Appropriations of 2017 earnings	6(17)												
Legal reserve		-	-	427,987	-	(427,987)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,200,863)	-	-	-	-	(3,200,863)	-	(3,200,863)
Disposal of treasury stock	6(15)(16)	-	1,041	-	-	-	-	-	-	435	1,476	-	1,476
Changes in the net interest of associates recognized under the equity method	6(16)(18)	-	5,264	-	-	1,562	-	(1,562)	-	-	5,264	-	5,264
Changes in share of consolidated subsidiaries		-	-	-	-	4,347	-	(3,804)	-	-	543	(20,129)	(19,586)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(16)	-	982,053	-	-	-	-	(118,806)	-	-	863,247	(1,105)	862,142
Adjustment of cash dividends paid to consolidated subsidiaries	6(16)	-	4,357	-	-	-	-	-	-	-	4,357	-	4,357
Expired cash dividends transferred to capital surplus	6(16)	-	1,822	-	-	-	-	-	-	-	1,822	-	1,822
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	(1,813,704)	-	1,810,626	-	-	(3,078)	3,114	36
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(380,089)	(380,089)
Increase in non-controlling interest	6(18)	-	-	-	-	-	-	-	-	-	-	2,177,729	2,177,729
Balance at December 31, 2018		$ 16,846,646	$ 1,268,860	$ 7,567,594	$ 2,214,578	$ 9,743,048	($ 744,846)	$ 32,036,824	$ -	($ 19,500)	$ 68,913,204	$ 6,055,486	$ 74,968,690

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 6,280,361	$ 5,276,484
Adjustments			
Adjustments to reconcile profit (loss)			
(Reversal of impairment) provision for bad debts expense		-	(2,223)
Reversal of expected credit loss		(5,090)	-
Depreciation	6(7)(22)	2,340,290	2,177,955
Interest expense	6(24)	211,415	185,189
Interest income	6(20)	(26,553)	(26,315)
Dividend income	6(20)	(2,677,904)	(2,411,958)
Gain on disposal of investments	6(21)	-	(275,611)
Gain on valuation of financial assets	6(2)(21)	(2,283)	(2,774)
Loss (gain) on valuation of financial liabilities	6(12)(21)	774	(1,381)
Share of profit of associates and joint ventures accounted for under equity method	6(6)	(238,313)	(193,934)
Cash dividends from investments accounted for under equity method		255,669	232,953
Gain on disposal and scrap of property, plant and equipment	6(21)	(903,034)	(38,696)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(297,011)	-
Notes receivable		47,800	26,783
Notes receivable - related parties		8,578	(1,364)
Accounts receivable, net		(537,456)	(1,118)
Accounts receivable - related parties		(60,113)	24,854
Other receivables		(36,846)	97,196
Inventory		(650,204)	(595,626)
Prepayments		62,503	329,103
Other current assets		(58,106)	(23,442)
Changes in operating liabilities			
Notes payable		52,058	2,648
Notes payable - related parties		96,277	109,847
Accounts payable		(133,469)	(315,440)
Accounts payable - related parties		(151,965)	20,210
Other payables		168,607	218,519
Other current liabilities		17,984	(6,045)
Other non-current liabilities		(151,084)	(335,181)
Cash inflow generated from operations		3,612,885	4,470,633
Interest received		25,972	24,509
Cash dividends received		2,672,387	2,411,958
Interest paid		(216,169)	(199,036)
Income tax paid		(527,736)	(372,240)
Net cash flows from operating activities		5,567,339	6,335,824

(Continued)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		($ 766,058)	$ -
Acquisition of available-for-sale financial assets		-	(934,669)
Proceeds from disposal of available-for-sale financial assets		-	524,055
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	769,609	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		5,780	-
Acquisition of financial assets carried at cost		-	(785,138)
Proceeds from capital reduction of financial assets carried at cost		-	23,549
Acquisition of property, plant and equipment	6(27)	(4,563,815)	(2,845,591)
Proceeds from disposal of property, plant and equipment		1,397,713	90,034
(Increase) decrease in other non-current assets		(48,202)	10,284
Proceeds from disposal of financial assets at fair value through profit or loss		153,189	-
Net cash flows used in investing activities		(3,051,784)	(3,917,476)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	6(28)	832,848	(183,693)
(Decrease) increase in short-term notes and bills payable	6(28)	(1,299,806)	299,979
Payment of long-term borrowings		(4,633,083)	(11,314,825)
Increase in long-term borrowings		1,600,000	10,942,085
Cash dividends paid- non-controlling interest		(380,089)	(311,242)
Cash dividends paid	6(17)	(3,200,863)	(2,526,997)
Change in share of consolidated subsidiaries		862,142	-
Change in non-controlling interest		2,177,729	-
Net cash flows used in financing activities		(4,041,122)	(3,094,693)
Effect of foreign exchange rate		(25,456)	(34,590)
Net decrease in cash and cash equivalents		(1,551,023)	(710,935)
Cash and cash equivalents at beginning of year	6(1)	4,942,919	5,653,854
Cash and cash equivalents at end of year	6(1)	$ 3,391,896	$ 4,942,919

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) Formosa Taffeta Co., Ltd. (the "Company") was incorporated on April 19, 1973 under the provisions of the Company Law of the Republic of China (R.O.C.). Factories were established in Douliou City of Yulin County, R.O.C. On December 24, 1985, the Company's common stock was officially listed on the Taiwan Stock Exchange. The major operations of the Company's various departments are as follows:

Business departments	Major activities
Primary department: Fabrics, dyeing and others	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum	Cord, plastic bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers
Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits

(2) Formosa Chemicals & Fiber Corp. has significant control over the Company since Formosa Chemicals & Fiber Corp. holds over half of the Board seats after the stockholders' meeting on June 27, 2008. Since June 27, 2008, Formosa Chemicals & Fiber Corp. became the Company's parent company and accordingly, the Company and its subsidiaries are included in its consolidated financial statements.

(3) As of December 31, 2018, the Company and its subsidiaries (collectively referred herein as the "Group") had 10,228 employees.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 15, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Based on the Group's assessment, significant impacts to the Group's financial condition and financial performance of the above standards and interpretations are as follows:

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The

Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

(d) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a)IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognized the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarized below:

Consolidated balance sheet

Affected items	Book value under previous revenue standard	Adjustment for initial application of IFRS 15	Adjusted amount after IFRS 15 adoption	Remark
January 1, 2018				
Contract assets	$ -	$ 491,632	$ 491,632	
Inventory	826,956	(392,220)	434,736	
Retained earnings	3,566,041	99,412	3,665,453	

Revenue recognition of customised products

Formosa Advanced Technologies Co., Ltd. provides assembly and testing services of various integrated circuits based on the specifications as required by the customers. The revenue is recognized when the significant risks and rewards are transferred under previous accounting policies, and the timing of recognition usually occurred upon acceptance. Considering that the highly customised products have no alternative use to Formosa Advanced Technologies Co., Ltd. and Formosa Advanced Technologies Co., Ltd. has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized based on the percentage of completion under the new revenue standard. As a result, retained earnings and non-controlling interest will have to be increased by $65,924 and $34,118, respectively, inventory decreased by $392,220 and contract assets increased by $491,632 with the application of the new standard.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognize the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $1,048,552 (including reclassified from long-term prepaid rent) and $787,655, respectively.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2018	December 31, 2017	Description
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	46.68	65.68	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residences and buildings, and development of new community and specialised zones	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning supplies	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100.00	100.00	
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric for 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	50.00	50.00	
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Dong Nai Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding company	100.00	100.00	
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100.00	100.00	

Note 1: The Company sold shares of Formosa Advanced Technologies Co., Ltd. to Nan Ya Technology Corp. in July, 2018. The Company owns more than half of the seats in the Board of Directors of Formosa Advanced Technologies Co., Ltd. and has substantive control over the company.

Except for the subsidiaries, Formosa Taffeta Vietnam Co., Ltd., Xiamen Xiangyu Formosa Import

& Export Trading Co., Ltd., Formosa Taffeta Dong Nai Co., Ltd. and Schoeller F.T.C. (Hong Kong) Co., Ltd. whose financial statements were audited by other independent accountants, the financial statements of other subsidiaries were audited by the parent company's auditors.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2018 and 2017, the non-controlling interest amounted to $6,055,486 and $3,803,175, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2018		December 31, 2017	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	$ 6,055,275	53.32	$ 3,803,168	34.32

Summarized financial information on the subsidiaries:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 6,792,443	$ 8,283,373
Non-current assets	5,882,131	3,891,808
Current liabilities	(1,231,815)	(1,010,778)
Non-current liabilities	(86,280)	(82,910)
Total net assets	$ 11,356,479	$ 11,081,493

Statements of comprehensive income

	Formosa Advanced Technologies Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ 8,785,525	$ 7,888,494
Profit before income tax	1,750,953	1,585,566
Income tax expense	(330,660)	(192,480)
Profit for the year	1,420,293	1,393,086
Other comprehensive (loss) income, net of tax	(138,670)	302,131
Total comprehensive income for the year	$ 1,281,623	$ 1,695,217
Comprehensive income attributable to non-controlling interest	$ 541,315	$ 581,798

Statements of cash flows

	Formosa Advanced Technologies Co., Ltd.	
	Years ended December 31,	
	2018	2017
Net cash provided by operating activities	$ 2,266,218	$ 2,358,444
Net cash used in investing activities	(3,372,679)	(1,949,538)
Net cash used in financing activities	(1,105,556)	(884,444)
Decrease in cash and cash equivalents	(2,212,017)	(475,538)
Cash and cash equivalents, beginning of year	3,479,352	3,954,890
Cash and cash equivalents, end of year	$ 1,267,335	$ 3,479,352

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

Effective 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group’s share of its associates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group’s ownership percentage of the associate, the Group recognizes the Group’s share of change in equity of the associate in ‘capital surplus’ in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group’s ownership percentage of the associate but maintains significant influence on the associate, then ‘capital surplus’ and ‘investments accounted for under the equity method’ shall be adjusted for the increase or decrease of its share of equity interest.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Items	Estimated useful lives
Land improvements	3 ~ 15 years
Buildings	10 ~ 60 years
Machinery and equipment	2 ~ 20 years
Transportation equipment	3 ~ 15 years
Other equipment	2 ~ 17 years

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(17) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(19) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(21) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Group measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.

ii. Remeaurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and recoreded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(24) Share capital

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

A. The Group manufactures and sells various fabrics and IC products, and renders services as an oil distributor. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

D. Formosa Advanced Technologies Co., Ltd. renders IC packaging and testing services. Considering that the highly customized products have no alternative use to the entity and the entity has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized in the reporting period in which the services are delivered to the customers. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the costs incurred relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Revenue recognition

For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs spent relative to the total expected costs.

(2) Impairment assessment of investments accounted for using equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recovered. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

(3) Impairment assessment of accounts receivable

In evaluating impairment, the Group determines future recoverability of accounts receivable based on subjective judgement and estimates, taking into consideration the customer's financial condition, internal credit rating, and historical transaction records. If the future indicators declined, the impairment of accounts receivable may be significant.

(4) Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was $8,710,037.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	$ 156,022	$ 131,912
Checking accounts and demand deposits	1,797,743	1,524,572
Time deposits	419,938	318,588
Commercial paper	1,018,193	2,967,847
	$ 3,391,896	$ 4,942,919

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The rate range of time deposit on December 31, 2018 and 2017 are 2.75%~5.47% and 1.55%~7.40%, respectively.

C. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2018	December 31, 2017
Current items:		
Beneficiary certificates	$ 466,353	$ 619,504
Forward foreign exchange contracts	-	398
	466,353	619,902
Valuation adjustment	13,137	10,494
	$ 479,490	$ 630,396

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31, 2018	2017
Beneficiary certificates	$ 2,681	$ 2,376
Forward foreign exchange contracts	(398)	398
	$ 2,283	$ 2,774

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative Instruments	December 31, 2017 Contract Amount (Notional Principal)		Contract Period
Current items:			
Forward foreign exchange contracts			
Taipei Fubon Bank	JPY	192,020	2017.11~2018.02

The Group had no financial assets held for trading on December 31,2018.

The forward exchange contracts are buy and sell to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Effective 2018

Items	December 31, 2018
Current items:	
Equity instruments	
Listed stocks	$ 2,482,503
Unlisted stocks	100,000
	2,582,503
Valuation adjustment	1,091,714
	$ 3,674,217
Non-current items:	
Equity instruments	
Listed stocks	$ 8,739,607
Unlisted stocks	6,747,554
	15,487,161
Valuation adjustment	31,025,540
	$ 46,512,701

A. The Group has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $50,186,918 as at December 31, 2018.

B. Aiming to satisfy the operating capital needs, the Group sold its equity investment in Nan Ya Technology Corp. at fair value of $772,686 which resulted in loss on disposal (including the portion attributable to non-controlling interests) of ($1,804,708) during the year ended December 31, 2018 which was reclassified to retained earnings.

C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognized in other comprehensive income	($ 3,471,683)
Cumulative losses reclassified to retained earnings due to derecognition (including the portion attributable to non-controlling interest)	($ 1,813,704)

D. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $50,186,918.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 116,511	$ 164,311
Accounts receivable	$ 4,181,310	$ 3,644,252
Less: Allowance for uncollectible accounts	(71,033)	(76,521)
	$ 4,110,277	$ 3,567,731

A. The ageing analysis of notes and accounts receivable are as follows:

	December 31, 2018	December 31, 2017
Not past due	$ 4,092,982	$ 3,618,474
Up to 30 days	154,591	146,964
31 to 90 days	45,066	32,878
Over 90 days	5,182	10,247
	$ 4,297,821	$ 3,808,563

The above ageing analysis was based on past due date.

B. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were $4,297,821 and $3,808,563, respectively.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,762,233	($ 94,897)	$ 1,667,336
Supplies	212,154	(3,968)	208,186
Work in process	2,866,411	(6,643)	2,859,768
Finished goods	3,789,718	(578,621)	3,211,097
Merchandise inventory	159,786	-	159,786
Materials in transit	348,702	-	348,702
Outsourced processed materials	216,874	(71)	216,803
Construction in progress	16,135	-	16,135
Land for construction	22,224	-	22,224
	$ 9,394,237	($ 684,200)	$ 8,710,037

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,595,346	($ 92,680)	$ 1,502,666
Supplies	230,935	(8,023)	222,912
Work in process	2,581,319	(6,731)	2,574,588
Finished goods	3,629,029	(413,191)	3,215,838
Merchandise inventory	286,276	-	286,276
Materials in transit	414,289	-	414,289
Outsourced processed materials	190,085	(109)	189,976
Construction in progress	23,284	-	23,284
Land for construction	22,224	-	22,224
	$ 8,972,787	($ 520,734)	$ 8,452,053

Information about the inventories that were pledged to others as collateral is provided in Note 8.

The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2018	2017
Cost of goods sold	$ 39,145,029	$ 35,574,881
Inventory valuation loss	176,918	16,813
Others (Note)	(57,940)	(24,801)
	$ 39,264,007	$ 35,566,893

Note : Others consist of inventory overage/shortage and disposal of scrap and defective materials and service costs.

(6) Investments accounted for using equity method

	December 31, 2018	December 31, 2017
Formosa Industries Co., Ltd.	$ 2,008,842	$ 1,938,483
Quang Viet Enterprise Co., Ltd.	1,191,261	1,149,965
Changshu Yu Yuan Development Co., Ltd.	16,403	35,008
	$ 3,216,506	$ 3,123,456

A. Associates

(a) The basic information of the associates that are material to the Group is as follows:

		Shareholding ratio			
Company name	Principal place of business	December 31, 2018	December 31, 2017	Nature of relationship	Method of measurement
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	17.99%	17.92%	Associate	Equity method
Changshu Yu Yuan Development Co., Ltd.	China	40.78%	40.78%	Associate	Equity method

(b) The summarized financial information of the associates that are material to the Group is shown below:

Balance sheets

	Formosa Industries Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 12,272,938	$ 9,291,100
Non-current assets	21,232,063	20,614,037
Current liabilities	(11,529,804)	(5,965,869)
Non-current liabilities	(2,749,255)	(5,439,066)
Total net assets	$ 19,225,942	$ 18,500,202
Share in associate's net assets	$ 1,922,594	$ 1,850,020
Difference	86,248	88,463
Carrying amount of the associate	$ 2,008,842	$ 1,938,483

	Quang Viet Enterprise Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 7,605,631	$ 5,987,697
Non-current assets	3,222,091	2,705,609
Current liabilities	(3,043,953)	(2,064,121)
Non-current liabilities	(329,187)	(52,152)
Total net assets	$ 7,454,582	$ 6,577,033
Share in associate's net assets	$ 1,341,079	$ 1,178,604
Difference	(149,818)	(28,639)
Carrying amount of the associate	$ 1,191,261	$ 1,149,965

	Changshu Yu Yuan Development Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 96,864	$ 157,599
Non-current assets	106	280
Current liabilities	(26,867)	(54,986)
Total net assets	$ 70,103	$ 102,893
Share in associate's net assets	$ 28,588	$ 41,960
Difference	(12,185)	(6,952)
Carrying amount of the associate	$ 16,403	$ 35,008

Statements of comprehensive income

	Formosa Industries Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ 31,560,607	$ 25,827,459
Profit for the year from continuing operations (Total comprehensive income)	$ 1,202,739	$ 806,833

	Quang Viet Enterprise Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ 13,280,440	$ 10,203,655
Profit for the year from continuing operations	$ 857,041	$ 546,996
Other comprehensive income (loss), net of tax	4,405	(110,617)
Total comprehensive income	$ 861,446	$ 436,379

	Changshu Yu Yuan Development Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ -	$ 34,761
(Loss) profit for the year from continuing operations (Total comprehensive income)	($ 240)	$ 11,436

B. The investment income of $238,313 and $193,934 for the years ended December 31, 2018 and 2017, respectively, were accounted for under the equity method based on the audited financial statements of the investee companies.

C. The Group is the director of Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. and has significant impact to its operations, thus, Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. are accounted for under the equity method.

D. The Group’s material associate, Quang Viet Enterprise Co., Ltd., has quoted market prices. As of December 31, 2018 and 2017, the fair value was $1,952,512 and $2,426,693, respectively.

(7) Property, plant and equipment

At January 1, 2018	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
Cost	$ 2,545,786	$ 11,047,542	$ 41,347,517	$ 9,003,970	$ 1,976,014	$ 65,920,829
Accumulated depreciation	(14,598)	(5,864,637)	(34,546,863)	(8,316,598)	-	(48,742,696)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278
Year ended December 31, 2018						
Opening net book amount	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278
Additions	-	-	584	62	4,539,028	4,539,674
Disposals	(342,670)	(283)	(120,743)	(5,967)	(25,016)	(494,679)
Transfers	-	390,882	4,675,201	114,699	(5,180,782)	-
Depreciation charge	(294)	(364,837)	(1,782,441)	(192,718)	-	(2,340,290)
Net exchange differences	(31)	(5,284)	47,582	31	1,677	43,975
Closing net book amount	$ 2,032,455	$ 5,203,383	$ 9,620,720	$ 603,479	$ 1,310,921	$ 18,770,958
At December 31, 2018						
Cost	$ 2,202,809	$ 11,402,399	$ 44,120,710	$ 8,938,006	$ 1,310,921	$ 67,974,845
Accumulated depreciation	(14,616)	(6,199,016)	(34,499,873)	(8,334,527)	-	(49,048,032)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	$ 2,032,455	$ 5,203,383	$ 9,620,720	$ 603,479	$ 1,310,921	$ 18,770,958

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2017						
Cost	$ 2,545,968	$ 10,676,232	$ 41,715,725	$ 9,183,608	$ 1,475,773	$ 65,597,306
Accumulated depreciation	(14,554)	(5,528,770)	(34,857,645)	(8,396,115)	-	(48,797,084)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	$ 2,375,676	$ 5,147,462	$ 6,857,809	$ 787,493	$ 1,475,773	$ 16,644,213
Year ended December 31, 2017						
Opening net book amount	$ 2,375,676	$ 5,147,462	$ 6,857,809	$ 787,493	$ 1,475,773	$ 16,644,213
Additions	-	-	-	41	2,889,276	2,889,317
Disposals	-	(32)	(47,331)	(3,975)	-	(51,338)
Transfers (Note)	108	522,968	1,727,560	122,864	(2,309,875)	63,625
Depreciation charge	(290)	(377,912)	(1,595,280)	(204,473)	-	(2,177,955)
Net exchange differences	(44)	(109,581)	(142,221)	(14,578)	(79,160)	(345,584)
Closing net book amount	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278
At December 31, 2017						
Cost	$ 2,545,786	$ 11,047,542	$ 41,347,517	$ 9,003,970	$ 1,976,014	$ 65,920,829
Accumulated depreciation	(14,598)	(5,864,637)	(34,546,863)	(8,316,598)	-	(48,742,696)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278

Note: Transferred from non-current assets held for sale and discontinued operations.

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Years ended December 31,	
	2018	2017
Amount capitalized	$ 13,002	$ 16,058
Range of the interest rates for capitalisation	0.98%~4.45%	0.98%~3.03%

B. The significant components and useful lives of property, plant and equipment are as follows:

Items	Significant components	Estimated useful lives
Land improvements	Pipelines	3 ~ 15 years
Buildings	Factory and gasoline stations	10 ~ 60 years
Machinery and equipment	Impregnating machine, dyeing machine and other machinery equipment	2 ~ 20 years
Transportation equipment	Pallet trucks and fork lift trucks	3 ~ 15 years
Other equipment	Cogeneration power generation equipment	2 ~ 17 years

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

D. Certain regulations restrict ownership of land to individuals. Accordingly, the titles of land which the Company has acquired for future plant expansion is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of December 31, 2018 and 2017, the land mortgaged to the Company was $808,300.

(8) Long-term prepaid rent (shown as 'Other non-current assets')

	December 31, 2018	December 31, 2017
Land use right - Formosa Taffeta Co., Ltd.	$ 108	$ 269
Land use right - Formosa Taffeta (Zhong Shan) Co., Ltd.	28,492	30,278
Land use right - Formosa Taffeta Dong Nai Co., Ltd.	123,200	125,868
Land use right - Formosa Taffeta (Changshu) Co., Ltd.	109,097	114,212
	$ 260,897	$ 270,627

A. Land use right of Formosa Taffeta Co., Ltd. pertains to the payment for the right to establish a petrol station and title transfer of land leasing right and is amortized over the land lease period under the contract. The Group recognized rental expense for the years ended December 31, 2018 and 2017 amounting to $161 and $171, respectively.

B. Formosa Taffeta (Zhong Shan) Co., Ltd. has leased land of Xijiangbian Dingxi Village, Shenwan Town, Zhengshan, Guangdong amounting to 508 acres from Shenwan Town People's Government of Zhongshan City in Guangdong Province, Mainland China and paid land use right of HK 12,599 thousand. The effective period is 50 years from the date of issuance of certificate of land use right, and the lease period is from November 20, 1991 to November 20, 2041. The Group recognized rental expense for the years ended December 31, 2018 and 2017 amounting to RMB 266 thousand for both years.

C. Formosa Taffeta Dong Nai Co., Ltd. has paid land use right of VND75,655,550 thousand and VND48,134,338 thousand for the leased land of 273,661.1 square meters and 65,086 square meters in Nhon Trach 3 Industrial Zone in Nhon Trach District, Dong Nai Province, Vietnam from Formosa Industries Corporation in September 2004 and December 2012, respectively. The lease period started from September 1, 2004 and December 1, 2012, respectively, and the effective periods both end on April 1, 2051. The Group recognized rental expense for the years ended December 31, 2018 and 2017 amounting to VND 2,738,932 thousand for both years.

D. Formosa Taffeta (Changshu) Co., Ltd. has leased 3 parcels of land amounting to 277,172 square meters in the Economic Development Zone from Changshu City Land and Resources Bureau in Jiangsu Province, Mainland China. The effective period of land use right started from the date of issuance of certificate of land use right and the lease period ends in December 2056 to December 2076. Furthermore, partial land was not used until November 18, 2011, so the government has taken back the land. Proceeds of land amounted to RMB 12,738 thousand in February 2012 and impairment loss in 2011 was RMB 4,726 thousand. Otherwise, the Economic Development Zone refunded a part of money and reissued the land use right for resumption of 794 square meters of land in December, 2012. In March 2015, Formosa Taffeta (Changshu) Co., Ltd. divided some part of housing land and established a new company, Changshu Fushun Enterprise Management Co., Ltd. (details are provided in Note 6(8)E). As of December 31, 2018, the area of the Company's 2 leased parcels of land was 166,509 square meters, and the effective period of land use right ends in December 2056. The Group recognized rental expense for the years ended December 31, 2018 and 2017 amounting to RMB 640 thousand for both years.

E. In order to effectively utilise Formosa Taffeta (Changshu) Co., Ltd.'s partial residential land, the Company has reduced capital and split land of 9,206 square meters in development zone to Changshu Fushun Enterprise Management Co., Ltd. The acquisition cost is RMB 6,400 thousand and the effective period starts from the approval of certificate of land use right and ends in December 2076. However, Changshu Fushun Enterprise Management Co., Ltd. merged with Changshu Yu Yuan Development Co., Ltd. and was deconsolidated in July 2015.

(9) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Mortgage Loan	$ 3,638,538	1.40%~4.35%	Property, plant and equipment and inventories

Type of borrowings	December 31, 2017		Interest rate range	Collateral
Bank borrowings				
Secured borrowings	$	2,798,304	1.40%~4.79%	Property, plant and equipment and inventories
Purchase loans		7,386	0.32%~0.36%	–
	$	2,805,690		

(10) Short-term notes and bills payable

	December 31, 2018		December 31, 2017	
Commercial paper payable	$	-	$	1,300,000
Less: Commercial paper payable discount		-	(	194)
	$	-	$	1,299,806
Interest rate		-		0.56%

The abovementioned commercial paper payable is issued by International Bills Finance Corp. etc.

(11) Financial liabilities at fair value through profit or loss - current

Items	December 31, 2018		December 31, 2017	
Financial liabilities held for trading				
Forward foreign exchange contracts	$	774	$	-

A. The Group recognized net (loss) gain of ($774) and $1,381 on financial liabilities held for trading for the years ended December 31, 2018 and 2017, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

	December 31, 2018		
Derivative Financial Liabilities	Contract Amount (Notional Principal)		Contract Period
Current items:			
Forward foreign exchange contracts			
Taipei Fubon Bank	JPY	50,000,000	2018.12~2019.2
Taipei Fubon Bank	JPY	56,800,000	2018.12~2019.2
Chang Hwa Bank	JPY	50,000,000	2018.12~2019.1
Chang Hwa Bank	JPY	50,210,000	2018.12~2019.1

The Group had no financial liabilities held for trading on December 31, 2017.

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies. However, these forward foreign exchange contracts do not meet all conditions of hedge accounting and are not accounted for under hedge accounting.

(12) Other payables

	December 31, 2018	December 31, 2017
Salaries and year-end bonus payable	$ 784,330	$ 791,135
Accrued utilities expenses	130,048	139,213
Payable on equipment	62,814	86,955
Commission payable	54,564	56,485
Dividend payable	9,943	9,092
Others	907,798	728,727
	$ 1,949,497	$ 1,811,607

(13) Long-term borrowings

	December 31, 2018	December 31, 2017
Credit borrowings	$ 8,192,200	$ 11,222,071
Less: Current portion	(169,901)	(138,499)
	$ 8,022,299	$ 11,083,572
Interest rate	0.98%~4.45%	1.00%~3.36%

(14) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2%~15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned employees pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 2,674,363	$ 2,953,789
Fair value of plan assets	(2,157,689)	(2,138,501)
Net defined benefit liability	$ 516,674	$ 815,288

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 2,953,789	($ 2,138,501)	$ 815,288
Current service cost	29,909	-	29,909
Interest expense (income)	36,922	(27,355)	9,567
	3,020,620	(2,165,856)	854,764
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(57,917)	(57,917)
Experience adjustments	(91,091)	-	(91,091)
	(91,091)	(57,917)	(149,008)
Pension fund contribution	-	(185,679)	(185,679)
Paid pension	(255,166)	251,763	(3,403)
Balance at December 31	$ 2,674,363	($ 2,157,689)	$ 516,674

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 2,790,471	($ 1,963,103)	$ 827,368
Current service cost	32,194	-	32,194
Interest expense (income)	34,881	(25,244)	9,637
	2,857,546	(1,988,347)	869,199
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	10,910	10,910
Change in financial assumptions	6,809	-	6,809
Experience adjustments	315,358	-	315,358
	322,167	10,910	333,077
Pension fund contribution	-	(378,212)	(378,212)
Paid pension	(225,924)	217,148	(8,776)
Balance at December 31	$ 2,953,789	($ 2,138,501)	$ 815,288

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2018	2017
Discount rate	1.25%	1.25%
Future salary increases	1.00%	1.00%

Assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2018 and 2017, respectively.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 37,514)	$ 39,070	$ 168,731	($ 146,458)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 43,023)	$ 44,829	$ 197,246	($ 170,847)

The sensitivity analysis above was based on one assumphion which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2019 amount to $88,821.

(g) As of December 31, 2018, the Company's and its domestic subsidiaries' weighted average duration of that retirement plan is 8 years and 20 years, respectively.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd., and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of the employees' monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.

(c) The Company's subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd., have defined contribution plans. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees' salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d) Formosa Taffeta (Hong Kong) Co., Ltd. and Schoeller FTC (Hong Kong) Co., Ltd. have defined contribution plans whereby contributions are made to the mandatory provident fund based on a percentage of the employees' salaries and wages as full-time employees' pension benefit.

(e) Formosa Taffeta (Cayman) Co., Ltd. does not have a pension plan, and is not required to have one under local regulation.

(f) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $165,871and $159,924, respectively.

(15) Share capital

A. As of December 31, 2018, the Company's authorized and issued capital was $16,846,646, consisting of 1,684,665,000 shares of common stock, with a par value of $10 per share.

B. For the years ended December 31, 2018 and 2017, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Year ended December 31, 2018 Beginning shares	Additions	Disposal	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,293	-	(50)	2,243

Reason for reacquisition	Investee company	Year ended December 31, 2017 Beginning shares	Additions	Disposal (Note)	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,473	-	(180)	2,293

Note: The capital surplus amounting to $1,041 and $2,891 resulted from the subsidiary, Formosa Development Co., Ltd.'s disposal of 50,000 and 180,000 shares of the parent company during the years ended December 31, 2018 and 2017, respectively.

C. The abovementioned treasury stocks were acquired by the subsidiary, Formosa Development Co., Ltd., for investment purposes.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2018				
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1	$ 19,899	$ 545	$ 2,032	$ 250,345	$ 1,502
Disposal of treasury shares	1,041	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	4,357	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,105	-	980,948	-
Changes in the net interest of associates recognized under the equity method	-	-	-	5,264	-
Expired cash dividends transferred to capital surplus	-	-	-	-	1,822
At December 31	$ 25,297	$ 1,650	$ 2,032	$ 1,236,557	$ 3,324

	2017				
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1	$ 13,569	$ 545	$ 2,032	$ 250,312	$ -
Disposal of treasury shares	2,891	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	3,439	-	-	-	-
Changes in the net interest of associates recognized under the equity method	-	-	-	33	-
Expired cash dividends transferred to capital surplus	-	-	-	-	1,502
At December 31	$ 19,899	$ 545	$ 2,032	$ 250,345	$ 1,502

(17) Retained earnings

A. According to the R.O.C. Securities and Exchange Act No. 41, a company should reserve the amount equal to any valuation or contra-account in the stockholders' equity in the fiscal year from the net income and prior unappropriated earnings as special reserve. If the valuation or contra-account in stockholders' equity belongs to prior periods, the same amount from prior period earnings should be considered as special reserve and cannot be distributed. The special reserve includes: i) reserve for special purposes, ii) investment income recognized under the equity method, iii) net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section; and iv) other special reserves set out by legal provisions.

B. The Company’s dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the dividend policy includes cash dividends, stock dividends and capital increase by earnings recapitalization. At least 50% of the Company’s distributable earnings shall be appropriated as dividends after deducting the legal reserve and special reserves. The Company would prefer distributing cash dividends. However, if significant investment measures are taken or the Company’s financial structure needs to be improved, part of the dividends would be in the form of stock dividends but not to exceed 50% of the total dividends.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company’s paid-in capital.

D. The appropriations of 2017 and 2016 earnings had been resolved at the stockholders’ meeting on June 22, 2018 and June 23, 2017, respectively. Details are summarized below:

	2017 earnings		2016 earnings	
	Amount (in thousands)	Dividends per share (in dollars)	Amount (in thousands)	Dividends per share (in dollars)
Legal reserve	$ 427,987		$ 348,129	
Special reserve	-		506,036	
Cash dividends	3,200,863	$ 1.90	2,526,997	$ 1.50
	$ 3,628,850		$ 3,381,162	

E. As of December 31, 2018 and 2017, unpaid stock dividends amounted to $9,943 and $9,092, respectively.

F. The appropriations of 2018 earnings had been resolved by the Board of Directors on March 15, 2019. Details are summarized below:

	2018 earnings	
	Amount (in thousands)	Dividends per share (in dollars)
Legal reserve	$ 473,741	
Cash dividends	3,537,796	$ 2.10

G. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(23).

(18) Other equity items

	Unrealized gains (losses) on valuation	Currency translation	Non-controlling interest
January 1, 2018	$ 38,440,218	($ 914,267)	$ 3,803,175
Retrospective adjustments	(4,760,072)	-	33,939
January 1, 2018 after adjustments	33,680,146	(914,267)	3,837,114
Revaluation			
－Group	(3,330,847)	-	-
－Associates	1,071	-	-
－Non-controlling interest	-	-	(141,907)
Revaluation transferred to retained earnings			
－Group	1,810,626	-	-
－Non-controlling interest	-	-	3,114
Difference of currency translation			
－Group	-	154,507	-
－Associates	-	14,914	-
－Non-controlling interest	-	-	281
Remeasurement of defined benefit plan			
－Non-controlling interest	-	-	(2,816)
Net income of non-controlling interest	-	-	583,294
Difference between consideration and carrying amount of subsidiaries aquired or disposed	(118,806)	-	(1,105)
Change of net share under equity method	(1,562)	-	-
Changes in share of consolidated subsidiaries	(3,804)	-	(20,129)
Cash dividends paid by consolidated subsidiaries	-	-	(380,089)
Change of non-controlling interest	-	-	2,177,729
December 31, 2018	$ 32,036,824	($ 744,846)	$ 6,055,486

	Available-for-sale investments	Currency translation	Non-controlling interest
January 1, 2017	$ 36,313,040	$ 13,387	$ 3,531,750
Change in unrealized gain or loss on available-for-sale financial assets			
— Group	2,126,784	-	-
— Associates	394	-	-
— Non-controlling interest	-	-	105,762
Difference of long-term equity investment from cumulative translation differences of foreign operations			
— Group	-	(754,356)	-
— Associates	-	(173,298)	-
— Non-controlling interest	-	-	(1,187)
Remeasurement of defined benefit plan			
— Non-controlling interest	-	-	(2,071)
Net income of non-controlling interest	-	-	480,145
Change in the ownership of consolidated subsidiaries	-	-	18
Cash dividends paid by consolidated subsidiaries	-	-	(311,242)
December 31, 2017	$ 38,440,218	($ 914,267)	$ 3,803,175

(19) Operating revenue

	Year ended December 31, 2018
Sales revenue	$ 44,258,290
Service revenue	286,763
	$ 44,545,053

A. Contract assets

Formosa Advanced Technologies Co., Ltd. has recognized the following IC revenue-related contract assets:

	December 31, 2018
Contract assets relating to IC revenue	$ 788,643

B. All Formosa Advanced Technologies Co., Ltd. assembly and testing services contracts of various integrated circuits are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

C. Related disclosures on operating revenue for 2017 are provided in Note 12(5) B.

(20) Other income

	Years ended December 31,	
	2018	2017
Interest income from bank deposits	$ 26,553	$ 26,315
Dividend income	2,677,904	2,411,958
Other income	204,345	259,091
	$ 2,908,802	$ 2,697,364

(21) Other gains and losses

	Years ended December 31,	
	2018	2017
Gains on disposals of property, plant and equipment	$ 903,034	$ 38,696
Gains on disposals of investments	-	275,611
Foreign exchange gains (losses)	71,102	(138,690)
Forward foreign exchange contracts		
Gains on financial assets at fair value through profit or loss	2,283	2,774
Gains (losses) on financial liabilities at fair value through profit or loss	(774)	1,381
Bank charges	(37,700)	(33,578)
Other gains and losses	(52,013)	(37,309)
	$ 885,932	$ 108,885

(22) Expenses by nature

	Years ended December 31,	
	2018	2017
Employee benefit expense	$ 4,924,960	$ 4,931,294
Depreciation charges on property, plant and equipment	2,340,290	2,177,955
	$ 7,265,250	$ 7,109,249

(23) Employee benefit expense

	Years ended December 31,	
	2018	2017
Wages and salaries	$ 4,110,984	$ 4,146,223
Labor and health insurance fees	438,399	412,750
Pension costs	205,347	201,756
Other personnel expenses	170,230	170,565
	$ 4,924,960	$ 4,931,294

A. In accordance with the Company’s Articles of Incorporation, a ratio of distributable profit of the current year after covering accumulated losses, shall be distributed as employees’ compensation and directors' and supervisors' remuneration. The ratio shall be between 0.05%-0.5% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $10,543 and $8,994, respectively; while directors' and supervisors' remuneration was accrued at $5,272 and $4,497, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the Company's Articles of Incorporation of profit of current year distributable for the year ended December 31, 2018. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $10,543 and $5,272, and the employees' compensation will be distributed in the form of cash.

The employees' bonus and directors' and supervisors' remuneration for 2017 approved by shareholders were the same as the amounts shown in the 2017 financial statements. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both $8,994 in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Finance costs

	Years ended December 31, 2018	Years ended December 31, 2017
Interest expense:		
Bank borrowings	$ 224,417	$ 201,247
Less: Capitalization of qualifying assets	(13,002)	(16,058)
	$ 211,415	$ 185,189

(25) Income tax

A. Components of income tax expense

	Years ended December 31, 2018	2017
Current tax:		
Current tax on profits for the year	$ 508,113	$ 278,626
Land value increment tax	129,638	-
Tax on undistributed surplus earnings	46,659	78,984
Prior year income tax underestimation	105,505	27,972
Effect of foreign exchange rate	1,731	1,363
Total current tax	791,646	386,945
Deferred tax:		
Origination and reversal of temporary differences	153,584	129,523
Impact of change in tax rate	14,431	-
Total deferred tax	168,015	129,523
Income tax expense	$ 959,661	$ 516,468

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	2017
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 1,483,990	$ 1,144,144
Effect from permanent differences of income tax	(684,578)	(634,447)
Effect from temporary differences of income tax	(89,184)	(123,831)
Effect from investment tax credits	-	(24,998)
Tax exempt income by tax regulation	(173,443)	-
Prior year income tax underestimation	105,505	27,972
Effect from alternative minimum tax	-	31
Net change in deferred tax assets and liabililies	153,584	129,523
Effect of income tax from loss carryforward	-	(80,910)
Land value increment tax from selling land	129,638	-
Tax on undistributed earnings	46,659	78,984
Impact of change in tax rate	14,431	-
Suspension of securities trading income	(26,941)	-
Tax expense	$ 959,661	$ 516,468

Note: The basis for computing the applicable tax rate is the rate applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carryforward and investment tax credits are as follows:

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	$ 29,365	$ 40,081	$ -	$ 69,446
Allowance for bad debts in excess of tax deductible limit	2,128	375	-	2,503
Unrealized gains on disposal of equipment	17,711	(5,654)	-	12,057
Accrued pension liabilities	39,203	(29,793)	-	9,410
Loss carryforward	49,389	(49,389)	-	-
Unrealized foreign exchange loss	2,649	(2,268)	-	381
	140,445	(46,648)	-	93,797
Deferred tax liabilities:				
-Temporary differences				
Gain on valuation of financial assets	(641)	641	-	-
Investment income accounted for under equity method	(170,157)	(114,136)	-	(284,293)
Others	-	(7,872)	-	(7,872)
	(170,798)	(121,367)	-	(292,165)
	($ 30,353)	($ 168,015)	$ -	($ 198,368)

	Year ended December 31, 2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	$ 26,647	$ 2,718	$ -	$ 29,365
Allowance for bad debts in excess of tax deductible limit	2,084	44	-	2,128
Unrealized gains on disposal of equipment	17,507	204	-	17,711
Accrued pension liabilities	97,622	(58,419)	-	39,203
Loss carryforward	118,938	(69,549)	-	49,389
Unrealized foreign exchange loss	-	2,649	-	2,649
Loss on valuation of financial assets	4	(4)	-	-
	262,802	(122,357)	-	140,445
Deferred tax liabilities:				
-Temporary differences				
Unrealized foreign exchange gain	(7,031)	7,031	-	-
Gain on valuation of financial assets	-	(641)	-	(641)
Investment income accounted for under equity method	(156,601)	(13,556)	-	(170,157)
	(163,632)	(7,166)	-	(170,798)
	$ 99,170	($ 129,523)	$ -	($ 30,353)

D. The income tax returns of the Company, Formosa Advanced Technologies Co., Ltd. and Formosa Development Co., Ltd. through 2016 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

F. Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd. and Xiamen Xiangyu Formosa Import & Export

Trading Co., Ltd. is based on 25% of income generated within and outside Mainland China. In addition, Formosa Taffeta (Zhong Shan) Co., Ltd. was certificated as high-tech enterprise by Guangdong Provincial Government and contributed to the applicable income tax rate of the Company to be 15% for 3 years from 2018.

G. The income tax rate of Formosa Taffeta Vietnam Co., Ltd. was approved by Vietnam government to be 10% for 15 years from the year of official establishment (December 1993). The Company was granted income tax exemption for 4 years from the first profit-making year and 20% income tax exemption for the next 4 years.

H. The income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was approved by Vietnam government to be 15% for 12 years from the year of official establishment (October 2006); 20% after 12 years. The Company was granted income tax exemption for 3 years from the first profit-making year and income tax reduction of 15% or 20% for the next 4 to 10 years.

I. In accordance with local tax regulations, the applicable income tax rate of Schoeller F.T.C. (Hong Kong) Co., Ltd. and indirectly owned subsidiary, Formosa Taffeta (Hong Kong) Co., Ltd., was 16.5%.

(26) Earnings per share

A. Basic earnings per share

The calculation of basic earnings per share is profit or loss attributable to the common stockholders of the Company's parent company divided by the weighted average number of outstanding common stocks for the period.

	Year ended December 31, 2018				
	Amount		Weighted-average common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 6,280,361	$ 5,320,700	1,682,385	$ 3.73	$ 3.17
Profit attributable to the non-controlling interest	(1,024,599)	(583,294)		(0.61)	(0.35)
Profit attributable to the parent	$ 5,255,762	$ 4,737,406		$ 3.12	$ 2.82

	Year ended December 31, 2017				
	Amount		Weighted-average common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 5,276,484	$ 4,760,016	1,682,339	$ 3.13	$ 2.83
Profit attributable to the non-controlling interest	(793,064)	(480,145)		(0.47)	(0.29)
Profit attributable to the parent	$ 4,483,420	$ 4,279,871		$ 2.66	$ 2.54

The following is earnings per share assuming the shares of the Company held by its subsidiary, Formosa Development Co., Ltd., are not deemed as treasury stock:

	Year ended December 31, 2018				
	Amount		Common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 6,280,361	$ 5,320,700	1,684,665	$ 3.73	$ 3.16
Profit attributable to the non-controlling interest	(1,024,599)	(583,294)		(0.61)	(0.35)
Profit attributable to the parent	$ 5,255,762	$ 4,737,406		$ 3.12	$ 2.81

	Year ended December 31, 2017				
	Amount		Common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 5,276,484	$ 4,760,016	1,684,665	$ 3.13	$ 2.83
Profit attributable to the non-controlling interest	(793,064)	(480,145)		(0.47)	(0.29)
Profit attributable to the parent	$ 4,483,420	$ 4,279,871		$ 2.66	$ 2.54

B. Employees' bonuses could be distributed in the form of stock. It does not have significant effect on the financial statements and diluted earnings per share for the years ended December 31, 2018 and 2017.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31, 2018	Years ended December 31, 2017
Purchase of property, plant and equipment	$ 4,539,674	$ 2,889,317
Add: Opening balance of payable on equipment	86,955	43,229
Less: Ending balance of payable on equipment	(62,814)	(86,955)
Cash paid during the year	$ 4,563,815	$ 2,845,591

(28) Changes in liabilities from financing activities

For the year ended December 31, 2018, the change of short-term borrowings, short-term notes and bills payable, long-term borrowings and effect of foreign exchange rate are $832,848, ($1,299,806), ($3,033,083) and $3,211, respectively.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by FORMOSA CHEMICALS & FIBRE CORPORATION (incorporated in R.O.C), which owns 37.4% of the Company's shares, and is also the ultimate controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Formosa Chemicals & Fibre Corp.	Parent company
Kuang Yueh Co. Corp.	Associate
Formosa Industries Corp.	Associate
Formosa Biomedical Technology Corp.	Other related party
Toa Resin Corp.	Other related party
Formosa Petrochemical Corp.	Other related party
Formosa Heavy Industries Corp.	Other related party
Formosa Network Technology Corp.	Other related party
Formosa Plastics Corp.	Other related party
Formosa Plastics Transport Corp.	Other related party
Formosa Asahi Spandex Corp.	Other related party
Nan Ya Technology Corp.	Other related party
Nan Ya Plastics Corp.	Other related party
Nan Ya PCB Corp.	Other related party
Nan Ya Photonics Inc.	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party

Names of related parties	Relationship with the Group
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nanya Plastic (Guangzhou) Co.,Ltd.	Other related party
Nan Ya (Kunshan) Corp.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
Piecemakers Technology, Inc. (Note)	Other related party
Kong You Industrial Co., Ltd.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party
Formosa Ha Tinh(Cayman) Limited	Other related party

Note: Since Nan Ya Technology Corp. sold all owned shares of Piecemakers Technology Inc. in February 2018, Piecemakers Technology Inc. is no longer the related party of the Group.

(3) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2018	2017
Sales of goods:		
－Ultimate parent	$ 565	$ 17,705
－Associates	393,650	372,424
－Other related party		
Nan Ya Technology Corp.	6,161,227	5,295,339
Others	979,189	838,163
	$ 7,534,631	$ 6,523,631

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases of goods

	Years ended December 31,	
	2018	2017
Purchases of goods:		
－Ultimate parent	$ 2,432,999	$ 2,021,526
－Associates	897,996	860,117
－Other related party		
Formosa Petrochemical Corp.	10,916,187	9,606,981
Others	1,787,121	1,756,387
	$ 16,034,303	$ 14,245,011

Goods and services are purchased from ultimate parent and other related parties on normal commercial terms and conditions.

C. Receivables from related parties

	December 31, 2018		December 31, 2017	
Notes and accounts receivable:				
－Ultimate parent	$	98	$	75
－Associates		41,091		50,477
－Other related party				
Nan Ya Technology Corp.		1,006,359		953,005
Others		185,309		177,765
		1,232,857		1,181,322
Other receivables - dividends				
－Associates				
Formosa Industries Corp.		-		90,347
	$	1,232,857	$	1,271,669

The receivables from related parties arise mainly from sale transactions. The receivables are due 45~120 days after the date of sale. There are no provisions held against receivables from related parties.

D. Notes and accounts payable

	December 31, 2018		December 31, 2017	
Notes and accounts payable:				
－Ultimate parent	$	693,798	$	573,447
－Associates		46,854		118,943
－Other related party				
Formosa Petrochemical Corp.		397,563		542,953
Others		193,626		152,186
	$	1,331,841	$	1,387,529

The payables to related parties arise mainly from purchase transactions and are due 15~60 days after the date of purchase. The payables bear no interest.

E. Property transactions

(a) Disposal of property, plant and equipment:

	Year ended December 31, 2018				Year ended December 31, 2017			
	Disposal proceeds		Gain (loss) on disposal		Disposal proceeds		Gain (loss) on disposal	
Other related party	$	24,967	$	-	$	390	$	-

(b) Acquisition of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2018 Consideration
Other related party	Non-current financial assets at fair value through other comprehensive income	19,000,970	Formosa Ha Tinh (Cayman) Limited	$ 566,417

	Accounts	No. of shares	Objects	Year ended December 31, 2017 Consideration
Other related party	Non-current available-for-sale financial assets	19,000,970	Formosa Ha Tinh (Cayman) Limited	$ 587,072
Other related party	Non-current available-for-sale financial assets	600	FG INC	198,066
				$ 785,138

(c) Disposal of financial assets:

	Accounts	No. of shares (in thousands)	Objects	Year ended December 31, 2018 Proceeds	Gain/(loss)
Other related party	Investments accounted for under equity method	84,022	Formosa Advanced Technologies Co., Ltd.	$ 3,039,857	Note

Note: The gain on disposal (including the portion attributable to non-controlling interests) of $980,948 was reclassified to capital surplus.

F. Others

Formosa Taffeta Dong Nai Co., Ltd. was engaged by the related party, Formosa Industry, to provide management services to Nhon Trach 3 Industrial Zone. In accordance with the yearly service consignment contract signed by Formosa Taffeta Dong Nai Co., Ltd. and Nhon Trach 3 Industrial Zone, Formosa Taffeta Dong Nai Co., Ltd. is responsible for managing land that is available for rent, meter reading and payment collection of water, electricity, steam and other utilities sold to lessees in investment district, repairing and performing services on various public facilities of power plant. Under the contract, Formosa Taffeta Dong Nai Co., Ltd. shall collect a service fee as follows:

i. Land lease fee: 3% of Formosa Industry's land rent revenue

ii. Utilities service fee: 3% of Formosa Industry's monthly sale of electricity to lessees in investment district

iii. Management fee: the full amount of management fee collected from lessees in investment district to Formosa Industry shall be paid to the Company and its subsidiaries.

For the years ended December 31, 2018 and 2017, Formosa Taffeta Dong Nai Co., Ltd. has recognized lease service fee income in investment district of $34,274 and $30,947, respectively, for rendering the abovementioned consigned services. As of December 31, 2018 and 2017, the uncollected amount of $3,241 and $2,877, respectively, was recognized under 'other receivables'. For the above land leasing, as of December 31, 2018 and 2017, the total management expenses and utility expenses which Formosa Taffeta Dong Nai Co., Ltd. is due to collect from the related party, Formosa Industry, were $37,745 and $23,285, respectively, and was recognized under 'other payables'.

(4) Key management compensation

	Years ended December 31, 2018	Years ended December 31, 2017
Salaries and other short-term employee benefits	$ 48,895	$ 40,055
Post-employment benefits	105	1,047
	$ 49,000	$ 41,102

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Item	Book Value December 31, 2018	Book Value December 31, 2017	Purpose
Property, plant and equipment	$ 137,962	$ 138,662	Security for short-term borrowings
Inventories (Held-to-maturity land)	21,264	21,264	Security for short-term borrowings
	$ 159,226	$ 159,926	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Formosa Advanced Technologies Co., Ltd. is engaged in the processing of various integrated circuits packaging test and is responsible for custody for which the subsidiary needs to be compensated if lost. As of December 31, 2018, the items in custody are as follows:

December 31, 2018

A.Work in process	Quantity (Unit：PC)	Market value (per PC)	Quantity (Unit：piece)	Market value (per piece)	Quantity (Unit：bar)	Market value (per bar)	Quantity (Unit：stick)	Market value (stick)
LED	3,783,906	NTD 0.017~0.907	-	-	-	-	-	-
FBGA	42,170,784	USD 1.5~14.5	-	-	-	-	-	-
TSOP	4,170,289	USD 0.2~0.8	-	-	-	-	-	-
LED assembly	3,421,959	USD 0.39~11.94	-	-	-	-	347	NTD 27.4~570.5
Module	876,526	USD 0.2~14.5	-	-	44,692	USD 26~325.57	-	-
MICRO-SD	2,000	USD 1.598~5.99	-	-	-	-	-	-
Other	2,716	USD 1.65~4.8	1,360	USD 1,600	-	-	-	-
	54,428,180		1,360		44,692		347	

B. Finished goods	Quantity (Unit：PC)	Market value (per PC)	Quantity (Unit：piece)	Market value (per piece)	Quantity (Unit：bar)	Market value (per bar)	Quantity (Unit：stick)	Market value (stick)
LED	1,946,251	NTD 0.017~0.907	-	-	-	-	-	-
FBGA	141,863,355	USD 1.5~14.5	-	-	-	-	-	-
TSOP	6,704,834	USD 0.2~0.8	-	-	-	-	-	-
LED assembly	7,364,440	USD 0.39~11.94	-	-	-	-	1,674	NTD 27.4~570.5
Module	597,778	USD 0.2~14.5	-	-	26,335	USD 26~325.57	-	-
MICRO-SD	230	USD 1.598~5.99	-	-	-	-	-	-
Other	5,402	USD 1.65~4.8	22	USD 1,600	-	-	-	-
	158,482,290		22		26,335		1,674	

(2) The Company leases factory and land of gas station. The lease expense estimated to be incurred is as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 133,799	$ 124,729
Between 1 and 5 years	398,418	352,236
More than 5 years	327,310	280,489
	$ 859,527	$ 757,454

(3) As of December 31, 2018, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

Currency	Amount
USD	$ 2,225
JPY	2,109,474
EUR	904

(4) Endorsements and guarantees

As of December 31, 2018, in order to assist the subsidiaries in obtaining credit line, the Company has guaranteed the following amounts for subsidiaries:

Name of company	December 31, 2018
Formosa Taffeta (Zhong Shan) Co., Ltd.	$ 1,013,595
Formosa Taffeta Vietnam Co., Ltd.	1,535,750
Formosa Taffeta (Changshu) Co., Ltd.	1,689,325
Formosa Taffeta Dong Nai Co., Ltd.	4,668,680
Formosa Ha Tinh (Cayman) Limited	7,125,084
Public More Internation Company Ltd.	3,000

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please refer to Note 6(17) F for the distribution of 2018 earnings which was proposed by the Board of Directors on March 15, 2019.

(2) Owing to the capital increase of FG INC. the Board of Directors during its meeting on March 15, 2019 resolved to increase its investment in FG INC. in the amount of USD 4,500 thousand, in proportion to the original shareholding ratio of 3% in FG INC. Consequently, the total investment in FG INC. will be USD 11 million.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current, non-current borrowings and short-term notes and bills payable' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2018, the Group's strategy, was unchanged from 2017. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total borrowings	$ 11,830,738	$ 15,327,567
Less: Cash and cash equivalents	(3,391,896)	(4,942,919)
Net debt	8,438,842	10,384,648
Total equity	74,968,690	73,182,570
Total capital	83,407,532	83,567,218
Gearing ratio	10%	12%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at fair value through profit or loss	$ 479,490	$ 630,396
Financial assets measured at fair value through other comprehensive profit or loss	50,186,918	-
Available-for-sale financial assets	-	47,643,427
Financial assets at cost	-	5,786,870
Financial assets at amortized cost	9,178,343	10,305,327
	$ 59,844,751	$ 64,366,020
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	$ 774	$ -
Financial liabilities at amortized cost	16,676,253	20,172,291
	$ 16,677,027	$ 20,172,291

Note: Financial assets at amortized cost includes cash, notes and accounts receivable and other receivables; financial liabilities at amortized cost includes short-term borrowings, short-term notes and bills payable, notes and accounts payable, other payables and long-term borrowings.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Group focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.

(b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. Some of the Group's transactions are conducted in foreign currencies, which are subject to exchange rate fluctuation. The information on foreign currency denominated assets and liabilities are as follows:

	December 31, 2018		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 117,372	30.73	$ 3,606,842
JPY:NTD	412,840	0.28	115,595
Non-monetary items			
VND:NTD	4,723,641,239	0.0013	6,140,734
HKD:NTD	289,967	3.93	1,139,570
RMB:NTD	439,400	4.48	1,968,512
USD:NTD	183,430	30.73	5,636,804
Financial liabilities			
Monetary items			
USD:NTD	3,951	30.73	121,414

	December 31, 2017				
	Foreign Currency Amount (In Thousands)		Exchange Rate		Book Value (NTD)
Financial assets					
Monetary items					
USD:NTD	$	105,965	29.85	$	3,163,055
USD:RMB		5,856	6.53		174,802
JPY:NTD		443,701	0.26		115,362
Non-monetary items					
VND:NTD		4,545,840,640	0.0013		5,909,593
HKD:NTD		287,387	3.82		1,097,818
RMB:NTD		406,178	4.57		1,856,233
USD:NTD		190,780	29.85		5,694,783
Financial liabilities					
Monetary items					
USD:NTD		3,819	29.85		113,997
USD:RMB		21,882	6.53		653,178

ii. The total exchange income (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to $71,102 and ($138,690), respectively.

iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2018				
	Sensitivity analysis				
	Degree of variation		Effect on profit or loss		Effect on other comprehensive income
Financial assets					
Monetary items					
USD:NTD	1%	$	36,068	$	-
JPY:NTD	1%		1,156		-
Non-monetary items					
VND:NTD	1%		-		61,407
HKD:NTD	1%		-		11,396
RMB:NTD	1%		-		19,685
USD:NTD	1%		-		56,368
Financial liabilities					
Monetary items					
USD:NTD	1%		1,214		-

	Year ended December 31, 2017		
	Sensitivity analysis		
Financial assets	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Monetary items			
USD:NTD	1%	$ 31,631	$ -
USD:RMB	1%	1,748	-
JPY:NTD	1%	1,154	-
Non-monetary items			
VND:NTD	1%	-	59,096
HKD:NTD	1%	-	10,978
RMB:NTD	1%	-	18,562
USD:NTD	1%	-	56,948
Financial liabilities			
Monetary items			
USD:NTD	1%	1,140	-
USD:RMB	1%	6,532	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $3,830 and $5,232, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $501,869 and $476,434, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income and available-for sale equity investment.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD and USD.

ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of NTD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $63,200 and $151,060, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

iv. If the borrowing interest rate of USD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $978 and $2,269, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

v. The Group classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On December 31, 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
At December 31, 2018					
Expected loss rate	1%	9%	47%	75%	
Total book value	$ 4,092,982	$ 154,591	$ 45,066	$ 5,182	$ 4,297,821
Loss allowance	31,694	14,088	21,367	3,884	71,033

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes receivable, accounts receivable and contract assets are as follows:

	Year ended December 31, 2018		
	Notes receivable	Accounts receivable	Contract assets
At January 1	$ -	($ 76,521)	$ -
Reversal of impairment loss	-	5,090	-
Effect of foreign exchange	-	398	-
At December 31	$ -	($ 71,033)	$ -

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, commercial paper and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2018 and 2017, the Group held money market position of $53,902,282 and $58,871,700, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Long-term borrowings (including current portion)			
December 31, 2018	$ 169,901	$ 7,761,150	$ 261,149
December 31, 2017	138,499	7,564,884	3,518,688

(d) The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group’s investment in listed stocks and beneficiary certificates with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group’s investment in some unlisted stocks and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group’s investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables, short-term borrowings, short-term bills payable, notes payable (including related parties), accounts payable (including related parties), other payables and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of nature of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 479,490	$ -	$ -	$ 479,490
Financial assets at fair value through other comprehensive income				
Equity securities	43,914,680	403,500	5,868,738	50,186,918
	$ 44,394,170	$ 403,500	$ 5,868,738	$ 50,666,408

Financial liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 774	$ -	$ 774

December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 398	$ -	$ 398
Beneficiary certificates	629,998	-	-	629,998
Available-for-sale financial assets				
Equity securities	47,023,027	620,400	-	47,643,427
	$ 47,653,025	$ 620,798	$ -	$ 48,273,823

(b)The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques such as current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including applying a model using market information available at the consolidated balance sheet date.

iii.The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

iv.The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended December 31, 2018:

	Year ended December 31, 2018	
	Non-derivative equity instruments	
At January 1	$	5,786,870
Retrospective adjustments		65,372
At January 1 after adjustments		5,852,242
Acquired in the period		566,417
Gains and losses recognized in other comprehensive income		
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	724,632)
Effect of exchange rate changes		174,711
At December 31	$	5,868,738

For the year ended December 31, 2017, there was no movement of Level 3.

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

G. The accounting segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

The accounting segment set up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS. The related valuation results are reported to the supervisor of accounting segment monthly. The supervisor is responsible for managing and reviewing valuation processes.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	$ 344,372	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value the higher the discount for lack of marketability, the lower the fair value
	5,524,366	Net asset value	Not applicable	Not applicable

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

	Input	Change	December 31, 2018 Recognized in other comprehensive income Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	$ 3,444	$ 3,444

There is no effect on other comprehensive income from financial assets and liabilities categorized within Level 3 for the year ended December 31, 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted for the year ended December 31, 2017:

(a) Financial assets at fair value through profit or loss

i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

iii. They are initially recognized at fair value. Related transaction costs are expensed in profit or loss. They are subsequently remeasured and stated at fair value, and any changes in the fair value are recognized in profit or loss.

(b) Available for sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

iii. They are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

Loans and receivables receivable are originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from ‘other comprehensive income’ to ‘profit or loss’. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(f) Financial guarantee contracts

A. A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Available-for-sale-current	Available-for-sale-non-current			Effects		
	Measured at fair value through other comprehensive income-current	Measured at fair value through other comprehensive income-non-current	Measured at cost	Total	Retained earnings	Other equity	Non-controlling interest
IAS 39	$ 3,649,141	$ 43,994,286	$ 5,786,870	$ 53,430,297	$ -	$ -	$ -
Transferred into and measured at fair value through other comprehensive income-non-current	-	5,786,870	(5,786,870)	-	-	-	-
Fair value adjustment	-	65,372	-	65,372	4,825,623	(4,760,072)	(179)
IFRS 9	$ 3,649,141	$ 49,846,528	$ -	$ 53,495,669	$ 4,825,623	($ 4,760,072)	($ 179)

Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets and financial assets at cost, amounting to $47,643,427 and $5,786,870, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to $53,495,669, which resulted to an increase in retained earnings in the amount of $4,825,623, and decrease in other equity interest and non-controlling interest in the amounts of $4,760,072 and $179, respectively, on initial application of IFRS 9.

C. The significant accounts as of and for the year ended December 31, 2017 are as follows:

(a)Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 2,282,862
Unlisted stocks	100,000
Valuation adjustment	1,266,279
	$ 3,649,141
Non-current items:	
Listed stocks	$ 11,317,003
Valuation adjustment	37,437,306
	48,754,309
Accumulated impairment	(4,760,023)
	$ 43,994,286

i. The Group recognized $2,232,940 in other comprehensive income for fair value change for the year ended December 31, 2017.

ii. As of December 31, 2017, no available-for-sale financial assets held by the Group were pledged as collateral.

(b) Financial assets at cost

Items	December 31, 2017
Unlisted stocks	$ 5,786,870

i. According to the Group's intention, its investment should be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in active market, and no sufficient industry information of companies similar to the corporations or the corporation's financial information cannot be obtained, the fair value of the investment in the stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets measured at cost'.

ii. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

D. Credit risk information for the year ended December 31, 2017 is as follows:

(a) The equity financial instruments have active markets and are transacted through a stock exchange market or over-the counter market, or with financial institutions which are all in good credit standing. Therefore, the credit risk is low. Besides, the Group's policy requires that transactions for financial assets carried at cost be conducted with counterparties that meet the specified credit rating requirement; thus, the possibility that credit risk will arise is remote.

(b) The Group's policy requires that wholesale sales of products are made to clients with an appropriate credit review procedures. Therefore, the possibility of credit risk is low, and the maximum loss arising from credit risk is equal to the book value of accounts receivable.

(c) Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Company owns directly or indirectly more than 50% ownership. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees.

(d) No credit limits were exceeded during the year ended December 31, 2017, and management does not expect any significant losses from non-performance by these counterparties.

(e) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	
Group 1	$	3,023,454
Group 2		289,231
Group 3		141,478
	$	3,454,163

Note:

Group 1: Transnational customers, brand customers or credit customers that have applied for collateralised mortgage.

Group 2: Non-transnational customers, non-brand customers or credit customers that have not applied for collateralised mortgage with 2 or more years of transaction history with the Group.

Group 3: Non-transnational customers, non-brand customers or credit customers that have not applied for collateralised mortgage with less than 2 years of transaction history with the Group.

(f) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	
Up to 30 days	$	146,964
31 to 90 days		32,878
91 to 180 days		3,172
Over 180 days		7,075
	$	190,089

(g) Movement analysis of financial assets that were impaired - allowance for bad debts is as follows:

i. As of December 31, 2017 the Group's accounts receivable that were impaired were $0.

ii. Movements on the Group's provision for impairment of accounts receivable are as follows:

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1	$ 13,443	$ 79,909	$ 93,352
Reversal of provision for impairment	-	(2,223)	(2,223)
Write-offs during the year	(13,443)	-	(13,443)
Effect of exchange rate	-	(1,165)	(1,165)
At December 31	$ -	$ 76,521	$ 76,521

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

The Group manufactures and sells various fabrics and renders services as an oil distributor. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017
Sales revenue	$ 40,409,558
Service revenue	296,106
	$ 40,705,664

C. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

		December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract assets		$ 788,643	$ -	$ 788,643
Inventory		8,710,037	9,512,094	(802,057)
Retained earnings		9,743,048	9,729,634	13,414

		Year ended December 31, 2018		
Comprehensive income statement items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Sales revenue		$ 44,545,053	$ 44,246,305	$ 298,748
Operating costs		(39,264,007)	(38,852,433)	(411,574)
Net operating margin		5,281,046	5,393,872	(112,826)

Explanation:

Formosa Advanced Technologies Co., Ltd. provides assembly and testing services of various integrated circuits based on the specifications as required by the customers. The revenue is recognized when the significant risks and rewards are transferred under previous accounting policies, and the timing of recognition usually occurred upon acceptance. Considering that the highly customised products have no alternative use to Formosa Advanced Technologies Co., Ltd. and Formosa Advanced Technologies Co., Ltd. has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized based on the percentage of completion under the new revenue standard.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

In accordance with "Rules Governing the Preparation of Financial Statements by Securities Issuers", significant transactions for the year ended December 31, 2018 are stated as follows. Furthermore, the inter-company transactions were eliminated based on the financial statements of investees which were audited by other independent accountants. The following disclosures are for reference only.

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 4.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(11) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

A. The Group operates and sets policies from product and service perspective; thus, management also identifies reportable segments using the same method.

B. The Group has four reportable segments: First business group, Second business group consisting of Cord fabric department, Gasoline department and FORMOSA ADVANCED TECHNOLOGIES CO., LTD. (FATC) department. Details are as follows:

(a) First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries–FORMOSA TAFFETA (ZHONG SHAN) CO., LTD., FORMOSA TAFFETA VIETNAM CO., LTD. and FORMOSA TAFFETA (HONG KONG) CO., LTD, etc.

(b) Cord fabric department: Mainly produces and provides tire cords.

(c) Gasoline department: Mainly operates gasoline stations, sells gasoline and provides car washing.

(d) FATC department: The subsidiary – FORMOSA ADVANCED TECHNOLOGIES CO., LTD. mainly provides installation and testing of various integrated circuit and engages in processing and research and development of modules.

(2) Measurement of segment information

The measurement based on each operating segment's profit before tax excludes the effects of nonrecurring expenditure, i.e. from the unrealized gain or loss on financial instruments. Furthermore, interest income and expense are not allocated to operating segments.

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(3) Information about segment profit or loss and assets

	Year ended December 31, 2018						
		Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
Segment revenue							
Revenue from external customers	$ 14,142,892	$ 7,664,363	$ 12,144,072	$ 1,808,201	$ 8,785,525	$ -	$ 44,545,053
Inter-segment revenue	1,448,825	354,742	-	175,266	-	(1,978,833)	-
Total segment revenue	$ 15,591,717	$ 8,019,105	$ 12,144,072	$ 1,983,467	$ 8,785,525	($ 1,978,833)	$ 44,545,053
Segment income	$ 4,941,186	$ 214,701	$ 381,732	$ 153,876	$ 1,750,953	($ 1,162,087)	$ 6,280,361
Segment assets							
Identifiable assets	$ 14,415,028	$ 6,715,284	$ 1,223,225	$ 3,409,026	$ 7,347,585	($ 169,508)	$ 32,940,640
Investments accounted for under equity methed							3,216,506
General assets							56,869,347
Total assets							$ 93,026,493

	Year ended December 31, 2017						
		Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
Segment revenue							
Revenue from external customers	$ 12,508,739	$ 7,973,716	$ 10,671,800	$ 1,662,915	$ 7,888,494	$ -	$ 40,705,664
Inter-segment revenue	1,350,359	493,356	-	98,075	-	(1,941,790)	-
Total segment revenue	$ 13,859,098	$ 8,467,072	$ 10,671,800	$ 1,760,990	$ 7,888,494	($ 1,941,790)	$ 40,705,664
Segment income	$ 4,318,403	$ 212,362	$ 467,350	$ 13,262	$ 1,585,566	($ 1,320,459)	$ 5,276,484
Segment assets							
Identifiable assets	$ 13,842,555	$ 5,867,845	$ 1,353,550	$ 3,887,465	$ 5,433,275	$ 3,005	$ 30,387,695
Investments accounted for under equity methed							3,123,456
General assets							61,191,884
Total assets							$ 94,703,035

(4) Reconciliation for segment income (loss)

A. Sales between segments are carried out at arm’s length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

B. The total consolidated profit (loss) after adjustment and reconciliation information for profit after tax of reportable segments are provided in Note 14(3).

(5) Information on product and service

Please refer to Note 6(19).

(6) Geographical information

	Year ended December 31, 2018			
	Internal	Asia	Adjustment and write-off	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	$ 36,035,147	$ 8,509,906	$ -	$ 44,545,053
Revenue from parent company and consolidated subsidiaries	406,090	1,572,743	(1,978,833)	-
Total revenue	$ 36,441,237	$ 10,082,649	($ 1,978,833)	$ 44,545,053
Segment income (loss)	$ 6,923,396	$ 519,052	($ 1,162,087)	$ 6,280,361
Identifiable assets	$ 24,731,667	$ 8,378,481	($ 169,508)	$ 32,940,640
Investments accounted for under equity method				3,216,506
General assets				56,869,347
				$ 93,026,493

	Year ended December 31, 2017			
	Internal	Asia	Adjustment and write-off	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	$ 35,324,181	$ 5,381,483	$ -	$ 40,705,664
Revenue from parent company and consolidated subsidiaries	282,749	1,659,041	(1,941,790)	$ -
Total revenue	$ 35,606,930	$ 7,040,524	($ 1,941,790)	$ 40,705,664
Segment income (loss)	$ 6,051,574	$ 545,369	($ 1,320,459)	$ 5,276,484
Identifiable assets	$ 22,733,590	$ 7,651,100	$ 3,005	$ 30,387,695
Investments accounted for under equity method				3,123,456
General assets				61,191,884
				$ 94,703,035

(7) Major customer information

Major customer whose sales revenue account for more than 10% of total revenue of the Group for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Segment	Revenue	Segment
Nan Ya Technology Corp.	$ 6,161,227	FATC department	$ 5,295,339	FATC department

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2018 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	$ 44,793,582	$ 1,410,525	$ 1,013,595	$ 230,363	$ -	1.47	$ 89,587,165	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	44,793,582	1,567,250	1,535,750	307,028	-	2.23	89,587,165	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	44,793,582	2,037,425	1,689,325	272,011	-	2.45	89,587,165	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	44,793,582	4,705,160	4,668,680	3,080,801	-	6.77	89,587,165	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	44,793,582	7,125,084	7,125,084	5,352,675	-	10.34	89,587,165	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	188,563	3,000	3,000	3,000	-	1.03	377,127	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories.

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chariman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company's procedures of endorsements and guarantees, limit on the Company's total guarantee amount is 1.3 times of the Company's net assets, and limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2018				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	$ 1,277,809	0.21	$ 1,277,809	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	32	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	64	-	64	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	36,406	0.01	36,406	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	Other related party	Current financial assets at fair value through other comprehensive income	10,000,000	403,500	2.35	403,500	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,711,010	424,106	0.25	424,106	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	39,814,166	3.83	39,814,166	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	174,441	3,224	0.45	3,224	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	37,437	10.00	37,437	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	676,441	16,309	1.20	16,309	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2018 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Non-current financial assets at fair value through other comprehensive income	1,348,731	$ 8,874	3.17	$ 8,874	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	4,261,443	49,816	9.53	49,816	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	202,719	3.00	202,719	
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	5,524,232	3.85	5,524,232	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,243,228	77,504	0.13	77,504	
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Association of R.O.C.	-	Non-current financial assets at fair value through other comprehensive income	-	134	0.11	134	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	146,388	14,785	-	14,785	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	2,907,512	219,517	0.04	219,517	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Utimate parent company	Current financial assets at fair value through other comprehensive income	15,249,000	1,601,145	0.26	1,601,145	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Current financial assets at fair value through other comprehensive income	1,110,000	120,990	0.01	120,990	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2018 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,376,215	$ 405,692	0.24	$ 405,692	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	2,130,721	24,917	4.77	24,917	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	59,945	1,075	0.15	1,075	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	15,147,454	224,084	-	224,084	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	20,396,748	255,406	-	255,406	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2018		Addition (Note 3)(Note 4)		Disposal (Note 3)				Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Non-current financial assets at fair value through other comprehensive income	-	-	15,421,010	$ 1,175,081	-	$ -	7,710,000	$ 693,199	$ 696,277	note 5	7,711,010	$ 424,106
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Investments accounted for under equity method	NAN YA TECHNOLOGY CORPORATION	Other related party	290,464,472	7,412,797	-	-	84,022,000	3,039,857	2,177,715	note 6	206,442,472	5,350,424
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Non-current financial assets at fair value through other comprehensive income	-	-	190,009,706	5,490,371	19,000,970	566,417	-	-	-	-	209,010,676	5,524,232

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: Beginning balance plus addition amount is not equal to balance at December 31, 2018 because of valuation in exchange rate.

Note 5: The loss on disposal (including the portion attributable to non-controlling interests) of ($1,804,708) was reclassified to retained earnings.

Note 6: The gain on disposal (including the portion attributable to non-controlling interests) of $980,948 was reclassified to capital surplus.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal(Note4)	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
FORMOSA TAFFETA CO., LTD.	No.540、543、543-1,Beiming section,Dounan Township, Yunlin County	2018/3/16	1991/10/30	$ 124,320	$ 401,841	$ 401,841	$ 275,299	HOME MARK CO., LTD.	-	Disposal of idle land	Valuation amount of $331,160 by Euro-Asia Real Estate Appraisers Firm	NA
FORMOSA TAFFETA CO., LTD.	No514、514-1、536、537、538、539、540-2、543-6,Beiming section,Dounan Township, Yunlin County	2018/5/4	1991/10/30 2004/3/31 2011/5/27	218,350	810,514	810,514	591,918	SHIH HSIANG AUTO PARTS CO., LTD.	-	Disposal of idle land	Valuation amount of $672,437 by Euro-Asia Real Estate Appraisers Firm	NA

Note 1: The appraisal result should be presented in the ‘Basis or reference used in setting the price’ column if the real estate disposed of should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note 4:Including expense for transaction.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term		Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	($ 393,650)	(1.44)	Pay by mail transfer 60 days after delivery	$ -	-	Accounts receivable	$ 41,091	1.75	
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	(340,846)	(1.24)	Pay 120 days after delivery	-	-	Accounts receivable	84,289	3.59	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Associate	Sales	(158,160)	(0.57)	60 days after monthly billings	-	-	Accounts receivable	47,640	2.03	
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Associate	Sales	(101,998)	(0.37)	Pay 120 days after delivery	-	-	Accounts receivable	5,829	0.25	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	10,916,187	47.21	Pay every 15 days by mail transfer	-	-	Accounts payable	(397,563)	(27.43)	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,978,969	8.56	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	(331,826)	(72.23)	
									Accounts payable	(312,250)	(21.54)	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	793,906	3.43	Pay every 15 days by mail transfer	-	-	Accounts payable	(72,264)	(4.99)	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	339,048	1.47	Pay every 15 days by mail transfer	-	-	Accounts payable	(19,816)	(1.37)	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Sales	(6,161,227)	(70.13)	60 days after monthly billings	-	-	Accounts receivable	1,006,359	63.09	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA POLYESTER FIBER (KUNSHAN) CORP.	Other related party	Purchases	152,357	2.00	45 days after inspection	-	-	Accounts payable	(22,116)	(5.00)	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term		Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	($ 416,462)	(25.18)	60 days after monthly billings	-	-	Accounts receivable	$ 210,492	69.43	
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	229,715	11.26	60 days after monthly billings	-	-	Accounts payable	(13,943)	(11.52)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	(295,886)	(6.74)	60 days after monthly billings	-	-	Accounts receivable	58,448	5.37	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(442,296)	(9.62)	60 days after monthly billings	-	-	Accounts receivable	112,770	10.36	
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Associate	Sales	(146,486)	(3.34)	60 days after monthly billings	$ -	-	Accounts receivable	23,855	2.19	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	635,272	15.28	60 days after monthly billings	-	-	Accounts payable	(32,911)	(7.08)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	437,120	10.52	60 days after monthly billings	-	-	Accounts payable	(49,532)	(10.65)	
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	171,232	4.12	60 days after monthly billings	-	-	Accounts payable	(20,741)	(4.46)	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	JIAXING QUANG VIET GARMENT CO., LTD.	Associate	Sales	(152,808)	(11.56)	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	19,878	10.91	

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4:The transactions are disclosed by presenting revenues. The related transactions are not disclosed.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018 (Note 1)	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	$ 1,006,359	6.29	$ –	–	$ 553,008	$ -
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	210,492	2.52	–	–	85,779	–
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	112,770	1.93	–	–	81,544	–

Note 1: Fill in separately the balances of accounts receivable–related parties, notes receivable–related parties, other receivables–related parties.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction				
				General ledger account		Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	$	1,978,969	Draw promissory notes due in 2 months after inspection	4.44
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable		312,250	Draw promissory notes due in 2 months after inspection	0.34
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable		331,826	Draw promissory notes due in 2 months after inspection	0.36

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The amount of transactions which is listed in the table is determined by its material.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Information on investees
For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2018 （Note 2(3)）	Footnote
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	$ 114,912	$ 114,912	16,100,000	100.00	$ 217,235	$ 18,065	$ 13,708	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	3,773,440	206,442,472	46.68	5,350,424	1,420,293	838,593	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (HONG KONG) CO., LTD.	Hong Kong	Sale of spun fabrics and filament textile	1,356,862	1,356,862	-	100.00	1,133,880	60,477	60,477	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	1,963,366	139,974	139,974	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producion of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	213,771	213,771	18,595,352	17.99	1,191,261	768,584	116,954	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2018 （Note 2(3)）	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	$ 2,958	$ 2,958	-	50.00	$ 5,663	$ 6,206	$ 3,103	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,590,434	-	100.00	2,281,893	(5,943)	(5,943)	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	2,008,842	1,181,028	121,457	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	6,241,670	5,675,253	171,028,736	100.00	5,524,284	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	23,914	1,420,293	1,508	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	9,994	4,834	4,834	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at December 31, 2018’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.

(2)The ‘Net profit (loss) of the investee for the year ended December 31, 2018’ column should fill in amount of net profit (loss) of the investee for this period.

(3)The ‘Investment income (loss) recognised by the Company for the year ended December 31, 2018’ column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	$ 1,402,085	(1)	$ 1,402,085	$ -	$ -	$ 1,402,085	$ 94,273	100.00	$ 94,273	$ 1,695,852	$ -	Note 3
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	15,273	(1)	15,273	-	-	15,273	7,203	100.00	7,203	13,154	-	Note 4
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	60,688	100.00	60,688	1,016,281	-	Note 5
CHANG SHU YU YUAN DEVELOPMENT. CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	(240)	40.78	(98)	16,403	-	Note 6

Note 1: Investment methods are classified into the following three categories:
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3) Others

Note 2: The amount of ‘Investment income (loss) recognised by the Company for the year ended December 31, 2018 were derived from financial statements which were reviewed by independent accountants.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 and December 31, 2018 are both US$46,400,000 (remitted out US$46,388,800 and equipment amounted to US$11,200).

Note 4: The Company’s paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 and December 31, 2018 are both US$570,000.

Note 5: The Company’s paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 is US$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2018 was US$41,100,000.

Note 6: The Company was the surviving company after the consolidation of Changshu Yu Yuan Development.Co.,Ltd. and Changshu Fushun Enterprise Management Co., Ltd. Its paid-in capital is RMB$13,592,920.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	$ 1,402,085	$ 1,425,872	$ 44,981,214
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,516	44,981,214
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,290,660	44,981,214

Note：

(1)The investment in FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US$46,400,000.

(2)The investment in XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. approved by the Investment Commission of MOEA is US$570,000.

(3)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US$42,000,000, while the company reduced its capital and divided some part of housing land to Changshu Fushun Enterprise Management Co.,Ltd. Such investment is still awaiting approval by MOEA.

(4)The original currency of paid-in capital was translated at USD:TWD = 1:30.73

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2018

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	$ 33,068	0.12	$ -	-	$ 3,305	0.14	$ 1,013,595	For short-tem loans from financial institutions	$ -	$ -	-	$ -	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	63,966	0.23	-	-	12,463	0.53	1,689,325	For short-tem loans from financial institutions	-	-	-	-	